

# MONTANA ASSOCIATION OF OIL, GAS & COAL COUNTIES INC.

## BOARD OF DIRECTORS

Richard Dunbar, President Phillips County  
Joan Stahl, Secretary/ Treasure – Rosebud County  
Mike DesRozier, Glacier County  
Cynthia Johnson, Pondera County

Art Kleinjan, Vice-President Blaine County  
Chad Fenner, Big Horn County  
Mark Rehbein, Richland County

02/20/2007

### HOUSE NATURAL RESOURCES COMMITTEE

Mr. Chairman, Members of the House Natural Resources Committee

For the record my name is William Duffield, Executive Director of the Montana Association of Oil, Gas & Coal Counties Inc. This Association is made up of the County Commissioners from the 35 oil, gas & coal producing counties in the state of Montana.

You have asked me to provide you with written information as to how federal mineral royalty revenue (FMR) is linked to the prior year payments of Federal payments in lieu of taxes (PILT). As well as a list of counties that receives the FMR payments.

Federal payments in lieu of taxes (PILT payments) and federal revenue sharing payments (such as the federal mineral royalty funds) are linked through a formula that decreases the PILT payments to county governments as revenue sharing payments increase. Because of this, county governments that receive a share of federal mineral royalty payments will have a decrease in federal PILT payments. This is not a dollar for dollar reduction and, due to the formula; the decrease varies from county to county

William Duffield, Executive Director  
Cell Phone (406) 939-4443  
E-mail: [whd@midrivers.com](mailto:whd@midrivers.com)

Website: [www.montanaenergy.org](http://www.montanaenergy.org)  
Mailing Address: PO. Box 47  
Forsyth, Montana 59327

Big Horn – Blaine – Carbon – Carter – Chouteau – Custer – Daniels – Dawson – Fallon – Fergus – Garfield – Glacier – Golden Valley – Hill – Liberty – McCone – Mussellshell – Petroleum – Phillips – Pondera – Powder River – Prairie – Richland – Roosevelt – Rosebud – Sheridan – Stillwater – Sweetgrass – Teton – Toole – Treasure – Valley – Wibaux – Yellowstone

The formula for determining how much each county receives in PILT is a very complex and confusing however here is an example of a typical reduction in PILT when a county received FMR revenue.

Example; Lewis & Clark County received approximately \$1,284,000.00 in PILT revenue in 2004, they also received \$10,501.53 in FMR dollars. Since PILT is only funded \$.50 on the dollar the Feds deduct \$.50 from PILT for every dollar that is received from FMR revenue. This is roughly a \$5,250.00 decrease in Lewis & Clark County's PILT payment.

This resolution would simply request that the FMR revenue be decoupled from the PILT payments received by the counties.

I hope this info helps and, if there are more questions I would be happy to get answers for you. I have enclosed a list of counties that received FMR revenue as well as the Resolution that the State of North Dakota is moving through their legislature.

William Duffield, Executive Director  
MAOGCC INC.  
Cell-- 406-939-4443

# Allocation of Excess Federal Royalties for FY 2004

Total Monies Received in FY 2004 Pursuant to 30 U.S.C. 191	\$28,019,209.29
12.5% of the Total Monies Received	\$ 0.125
Total Monies Distributed to Eligible Counties	<u>\$ 3,502,401.16</u>

County	Total Distribution By County	By County Percentages
Beaverhead	\$ 344.56	0.000098
Big Horn	\$ 1,177,669.81	0.336246
Blaine	\$ 74,809.58	0.021360
Broadwater	\$ 927.64	0.000265
Carbon	\$ 77,199.11	0.022042
Carter	\$ 40,624.44	0.011599
Cascade	\$ 1,718.56	0.000491
Chouteau	\$ 21,294.26	0.006080
Custer	\$ 7,273.18	0.002077
Daniels	\$ 64.32	0.000018
Dawson	\$ 83,638.41	0.023880
Fallon	\$ 525,395.93	0.150010
Fergus	\$ 2,425.17	0.000692
Flathead	\$ 16.08	0.000005
Garfield	\$ 15.53	0.000004
Glacier	\$ 1,960.62	0.000560
Hill	\$ 22,399.87	0.006396
Lake	\$ -	0.000000
Lewis & Clark	\$ 10,501.53	0.002998
Liberty	\$ 7,830.86	0.002236
McCone	\$ 804.63	0.000230
Meagher	\$ 1,387.31	0.000396
Musselshell	\$ 2,083.01	0.000595
Petroleum	\$ 315.36	0.000090
Phillips	\$ 373,171.49	0.106547
Pondera	\$ 1,540.62	0.000440
Powder River	\$ 54,936.55	0.015685
Prairie	\$ 29,964.40	0.008555
Richland	\$ 64,054.88	0.018289
Roosevelt	\$ 4,325.78	0.001235
Rosebud	\$ 722,315.50	0.206234
Sheridan	\$ 3,488.66	0.000996
Stillwater	\$ 2,128.89	0.000608
Sweet Grass	\$ 3,285.03	0.000938
Teton	\$ 516.44	0.000147
Toole	\$ 15,385.49	0.004393
Treasure	\$ 38,100.78	0.010878
Valley	\$ 45,171.47	0.012897
Wheatland	\$ 15.02	0.000004
Wibaux	\$ 82,770.14	0.023632
Yellowstone	\$ 530.24	0.000151
Total Distribution	<u>\$ 3,502,401.16</u>	<u>1.00</u>

Sixtieth  
Legislative Assembly  
of North Dakota

**HOUSE CONCURRENT RESOLUTION NO. 3037**

Introduced by

Representatives Kempenich, Drovdal, Heller, Onstad

Senators Christmann, Warner

1 A concurrent resolution urging Congress to decouple federal mineral royalty revenue payments  
2 from states to counties when calculating PILT payments.

3 **WHEREAS**, the Federal Mineral Leasing Act intended for states to share the mineral  
4 royalties with counties, giving priority to those taxing jurisdictions for the impact and  
5 infrastructure needs incurred by the industry that pays the royalty; and

6 **WHEREAS**, federal mineral royalty revenue is considered prior year payments in the  
7 current PILT formula; and

8 **WHEREAS**, prior year payments connected to the PILT formula is a detriment to any  
9 economic development in which federal natural resources are extracted in that local  
10 government's jurisdiction; and

11 **WHEREAS**, the decision to extract natural resources owned by the federal government  
12 should be based only on the economic and scientific data available and not other programs  
13 such as PILT; and

14 **WHEREAS**, local governments may not have increased nontax revenue due to  
15 increased prior year payment because PILT is deducted proportionately; and

16 **WHEREAS**, federal mineral royalty revenue that is passed on from the states to  
17 counties is currently being deducted from their PILT payments as prior year payments; and

18 **WHEREAS**, PILT payments are payments in lieu of taxes on federal lands; and

19 **WHEREAS**, federal mineral royalties are not only derived from minerals held under  
20 federal land but under private land as well; and

21 **WHEREAS**, counties should not be penalized when states share royalty revenue with  
22 counties for offsetting the impacts of the industry;

23 **NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES**  
24 **OF NORTH DAKOTA, THE SENATE CONCURRING THEREIN:**

Sixtieth  
Legislative Assembly

1           That the Sixtieth Legislative Assembly urges the Congress of the United States to  
2   decouple federal mineral royalty revenue payments from states to counties when calculating  
3   PILT payments; and

4           **BE IT FURTHER RESOLVED**, that the Secretary of State forward copies of this  
5   resolution to each member of the North Dakota Congressional Delegation.